



## Commented Slides

### Conference Call Q3 2020, November 10, 2020

#### Henkel representatives

Carsten Knobel, CEO  
Marco Swoboda, CFO  
& Investor Relations Team

#### Carsten Knobel, CEO:

Dear investors and analysts,

Good morning from Düsseldorf and welcome to our conference call on the third quarter of 2020.

Thank you for joining us. I hope that you and your loved ones are doing well.

I'm joined today by Marco Swoboda, our Chief Financial Officer.

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Before we start, let me begin this call reminding everyone that this presentation, which contains the usual formal disclaimer of forward-looking statements within the meaning of relevant US legislations, can be accessed via our website at [henkel.com/ir](https://henkel.com/ir).

The presentation and discussion are conducted subject to this disclaimer. I will not read this disclaimer, but we take it as read into the record for the purpose of this conference call.

# AGENDA

- 01** Key Developments Q3 2020
- 02** Sales Q3 2020 & Outlook
- 03** Business Priorities & Closing Remarks

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What's on our agenda today?

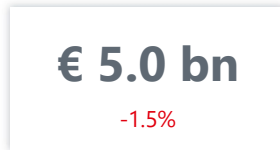
First, I'm going to lead you through the key developments in the third quarter.

Then, Marco will comment the Q3 business development in more detail as well as the new full year outlook we provided on October 9.

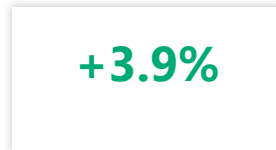
I will close today's presentation with Henkel's business priorities; and afterwards, Marco and I are looking forward to answering your questions.

▶ **KEY DEVELOPMENTS Q3 2020**  
 STRONG TOPLINE PERFORMANCE SUPPORTED BY ALL BUSINESS UNITS

**Nominal Sales**



**Organic Sales Growth**



**Guidance 2020**

Organic Sales Growth	-2.0 to -1.0%
Adjusted EBIT Margin	13.0 to 13.5%
Development in adjusted EPS (at constant exchange rates) <sup>1</sup>	-22.0 to -18.0%

<sup>1</sup>Per preferred share

- Positive organic growth in Adhesive Technologies with all business areas recovering
- Beauty Care Retail with very strong topline performance, strong recovery in Hair Professional
- Significant growth in Laundry & Home Care with all regions contributing
- Outlook for fiscal 2020 provided on October 9
- Executing purposeful growth agenda while mastering challenging environment

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Let's start with a brief overview of the key developments in the third quarter of 2020.

The implications of the global COVID-19 pandemic continued to affect our business environment although to a smaller extent compared to the second quarter. Despite these persisting challenges, Henkel returned to growth in the third quarter and achieved organic sales growth of 3.9% with emerging markets up by 8.8%.

I'm glad to say that the strong organic sales growth was supported by each of our three businesses.

In **Adhesive Technologies**, all business areas recovered compared to the second quarter and the business units delivered positive organic net sales growth, outperforming a still negative industrial environment.

**Beauty Care** delivered a very strong top line performance, in particular driven by the retail business. Our Hair Professional business recovered strongly from a very negative Q2 and closed the quarter low single-digit negative.

Demand for our laundry detergents and household cleaners remained high and **Laundry & Home Care** achieved significant organic sales growth; worth noting that all regions contributed to this performance.

As you know, we also issued a new financial guidance for fiscal 2020 in early October based on the business performance in the first nine months and the assumption on the business development in quarter four.

We are all aware of the fact that infection rates have been rising to new highs in the past weeks. Governments are taking countermeasures and implement new restrictions yet, there are no complete lockdowns in most countries as we experienced in the second quarter. Taking the recent developments into account, our full year guidance remains intact.

Overall, we have not experienced adverse effects on our business performance in October although restrictions partly tightened again. At the same time, we note the high level of uncertainty in the environment.

In these truly challenging times, the health and the safety of our employees, customers, and business partners remains our first priority.

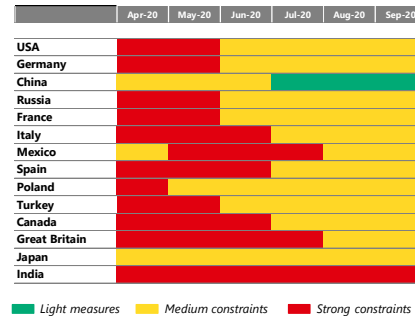
I'm proud to see the team's unbroken dedication and commitment, which allows us to successfully master the current situation and lay the basis for a better future. And I am convinced that a true business transformation requires a cultural transformation.

Here, we really moved forward, accelerating our cultural journey with our leadership commitments at the core. To emerge stronger from the crisis, the execution of our purposeful growth agenda continues in full swing. Later in the presentation, I will especially focus on our progress in the area of competitive edge.

## ▶ CONTINUED IMPACTS FROM COVID-19 PANDEMIC ON OUR BUSINESS ENVIRONMENT IN Q3

- All regions with few country exceptions experiencing declines in GDP and private consumption despite step-up from Q2
- Key currencies devaluating vs. €, partially significantly
- IPX low to mid single-digit percentage negative in Q3, recovering from very negative Q2
- Consumer behavior continues to be impacted by COVID-19 pandemic and constraints to public life

GOVERNMENTAL LOCKDOWN HEATMAP



## > Sequential recovery in key markets in Q3 but uncertainty remains high

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Turning back to the third quarter and the brief recap on our business environment, which continued to be impacted by the global health crisis.

With the pandemic situation prevailing, life didn't return to the pre-COVID times for most, with continued impact on economic activity and private consumption.

Looking at currencies, quite some turbulences could be observed, key currencies for Henkel strongly devaluated in the quarter.

While the business environment remained challenging, demand in key markets and industries recovered versus the second quarter.

This is evidenced by the development of the industrial production index as well as GDP and private consumption.

Still, economic activity and household consumptions remained below prior year's levels in many regions and countries.

China is a notable exception. Here, industrial production and GDP increased in the mid-single digits in the third quarter.

We also observed continued changes in consumer behavior triggered by the COVID-19 pandemic with different impacts from category-to-category.



## BUSINESS DEVELOPMENTS Q3 2020

### DIFFERENTIATED IMPACTS FROM PANDEMIC ACROSS PORTFOLIO



- **Automotive** still negative, however improving in the course of the quarter
- **Aerospace** severely affected, accounting for low single-digit share in sales
- **Salon business** recovering but traffic in salons lower due to hygiene rules and new lockdowns
- **Retail Styling** declining due to home office and social distancing
- Decline in **special detergent** market due to weaker consumer demand



- **“Staycation” effects** driving Consumer & Craftsmen and Construction businesses
- **China** business mostly back to normal and growing
- Gaining share in **Body and personal hygiene** in a growing market
- Double-digit growth and share gains in **at-home colorants**, markets slowing after peak in Q2
- Hygiene-consciousness leading to increased demand for **surface cleaners & toilet care**
- Double-digit growth and share gains in **dish-washing** boosted by continued strong demand

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Let me provide you some additional insights on how pandemic related changes in industrial and consumer demand impacted our businesses in the third quarter:

In **Adhesive Technologies**, all business areas recovered from the lows in the second quarter. However, we continued to face headwinds from lower industrial and automotive production.

One particular area of weakness was the aerospace business, which is accounting for a low single-digit share in sales.

Our Consumer & Craftsmen as well as in our Construction businesses, we benefited from staycation effects. Many people were still staying more at home; thus, demand for do-it-yourself and construction products increased in quarter three and our China business mostly returned back to normal and grew very strongly in the third quarter.

In **Beauty Care**, COVID-related impacts varied from category-to-category.

While the Salon business recovered strongly from a very weak Q2, it could not return to pre-crisis levels due to lower traffic in salons and some local lockdowns. While social distancing in place, the styling market also developed negative.

In contrast, personal hygiene stayed on top of mind of consumers. The Beauty Care teams managed to capture these increased demands over-proportionally.

Consumer demand also remained elevated for at-home coloration even though somewhat lower after a peak in Q2 when many hair salons were forced to close their doors.

In **Laundry & Home Care**, strong hygiene consciousness among consumers remained evident in the third quarter, leading to increased demand for surface cleaners and toilet care.

As people working, cooking and eating more at home, dishwashing products also remained high in demand. We were able to capture this over-proportionally with our impactful innovations and targeted marketing campaigns.



To emerge stronger from the crisis, we continued to drive the execution of our purposeful growth agenda.

The framework we established in the beginning of the year proved right and is guiding our way to win the 20s through purposeful growth.

The execution of our growth agenda along the six pillars is in full swing.

With regards to shaping – winning portfolio, I’m glad to say that we meanwhile closed both acquisitions we signed this summer.

We also advanced implementing our future-ready operating models.

Today, however, I would like to focus especially on the progress we made in the field of competitive edge which contributed to the strong organic sales growth in the quarter.



## Expanding our competitive edge in **Beauty Care**,...



- **Dial** with continued **double-digit growth** catering to increased hygiene awareness
- Outperforming growing **Hair Coloration** market with **~50 bps market share gains**, supported by successful launches
- Continued **double-digit growth** of **Nature Brands**
- **Impactful Hair Care relaunches** under key brands Gliss Kur, Syoss and Nature Box

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Starting with Beauty Care.

I've already mentioned that consumers stay very aware of personal hygiene. To cater consumer demand, the Beauty Care teams continued to put increased focus on hygiene-related products. In this context, our North American brand, **Dial**, continued its success from the past months recording double-digit growth in the third quarter.

The teams also managed to outgrow the **hair coloration** market, winning market shares of around 50 basis points in our active markets, globally. This outperformance was supported by successful launches, such as Simply Color in the US or Palette Elle Favorites.

Our Nature Brands also continued to perform very well, growing double digit in Q3.

Moreover, we already saw first promising contributions from key Hair Care relaunches that came to market in the third quarter. With relaunches under our key brands **Gliss Kur, Syoss, and Nature Box**, we are addressing around 60% of our Hair Care retail business - truly with impactful innovations.

While we are driving sustainability across the group to achieve our ambitious climate packaging and social targets, we are also successfully anchoring sustainability in our product innovation. As part of the relaunches, we are enhancing sustainability features in packaging.

- We have been industry pioneers in the development of recyclables, black plastic packaging, which is now implemented in our **Syoss Care** series.
- With the **Nature Box** relaunch, we are the world's first beauty brand to introduce Social Plastic as a packaging material for the brand's complete bottle portfolio, with bodies made up of 98% of Social Plastic.
- And lastly, the new packaging of **Gliss** is now 100% recyclable and a significant share is made from recycled material.

All in all, further improved important steps to promote circular economy and reach our ambitious packaging targets.

## ...Laundry & Home Care...

- **Hand Dishwashing** gaining global market share of ~150 bps thanks to Pril 5+ innovation with self-degreasing action
- **Double-digit growth** in detergent caps, boosted by innovative **Persil 4in1 DISCS**
- New cross-category brand **Love Nature** launched with refill concept, making sustainable choices easy and enjoyable



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### Laundry & Home Care.

The teams did a fantastic job winning market shares of around 150 basis points globally in the **Hand Dishwashing** category and delivering clear double-digit growth.


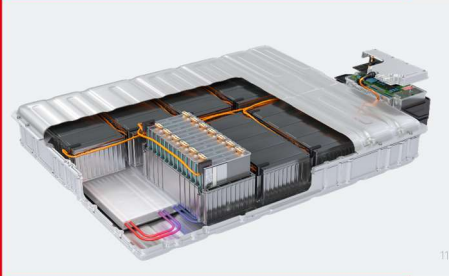
This great performance was also supported by our Pril 5+ innovation with self-degreasing actions that worked up to five times faster in lifting the grease, thanks to an innovative surfactant system. Following successful launches supported by strong communication since Q1 2020 across key markets in Europe and Middle East/Africa, this innovation is rolled out in Germany as we speak.


Let me also share an update on the **detergent caps** segment, which is of key strategic importance for us. Here, the teams achieved double-digit growth building on the successful development of the first half year. Our impactful Persil 4in1 DISCS clearly boosted this result also gaining further market shares.

**Love Nature** is our first launch born from our newly established internal sustainability idea factory in Laundry & Home Care. This new cross-category brand includes plant-based laundry detergents, surface cleaners, and dishwashing products with sustainability as a key competitive edge. Love Nature is also pioneering the concept of refill stations at the national level with the brand's pilot launch in Germany, the first Laundry & Home Care brand that offers refill stations across various retailers here in our home market. An exciting concept, leveraging the startup innovation approach.

## ...and Adhesive Technologies.

- **High-end adhesives for compact camera modules** enabling design for Augmented Reality cameras in 5G enabled smartphones
- **Double-digit growth with thermal interface management material portfolio** addressing new e-mobility design requirements
- Process innovation allowing for >4x line speed in **paper straw** production enabling **circular economy**



Let me also share three impactful innovations in our Adhesive Technologies business.

First, we saw a strong business growth across major smartphone brands with our new series of high-end electronically conductive and non-conductive adhesives. Our high impact solutions enable the design of a new sensor technology that will allow consumers around the world to use the power of augmented reality featured 5G-enabled smartphones.

We are also catering to changing customer needs in the context of e-mobility. Our expanded portfolio of thermal interface management materials is highly demanded by multiple customers, delivering double-digit growth. Here, we successfully combined material expertise and engineering support and help to shape the world's transition to a low carbon economy.

Double-digit number of projects were kicked off with large OEMs in the third quarter alone thanks to our new high impact offerings.

With our portfolio of food safe adhesives for paper straws, we enabled the replacement of plastic straws. Our innovative adhesive solutions not only allow to increase the line speed in manufacturing by more than four times, but also improve the consumer experience, for example, through higher water resistance.

A great example of how the teams actively contribute to a circular economy by enabling new packaging design with our solutions.

- **Digital share in Group sales surpassed 15%** with increases in all business units
- **Digital sales growth of >65%** in Beauty Care and Laundry & Home Care combined
- **Adhesive Technologies e-shop** now live in 55 countries, with significant increase in traffic in 2020

Continued over-proportional growth in digital sales in Q3

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I would also like to speak out about our advancements in the area of digital, an important value creator and one of our strategic priorities. Here, we continue capturing emerging opportunities in the current environment, helping to accelerate digital sales growth.

I'm very pleased to see that in the third quarter, the digital share in overall sales surpassed the 15% for the group, with increases in all businesses.

In our **Beauty Care** and **Laundry & Home Care** businesses combined digital sales grew more than 65% in the quarter with new record levels in all regions. The successful direct-to-consumer operation, the expansion of strategic customer partnerships and an acceleration in performance marketing also contributed to this strong achievement.

Also, our **Adhesive Technologies** business unit recorded double-digit growth in the quarter. Here, we are capitalizing on our e-shop, which after recent go-lives in Australia and New Zealand is now live in 55 countries in total. Throughout the year, the traffic increased significantly with a broad-based development across regions. For sure, also a result of high user acceptance and consistently strong user feedback.

With this, let me hand over to Marco, who will now lead you through our business development in the third quarter in more detail.

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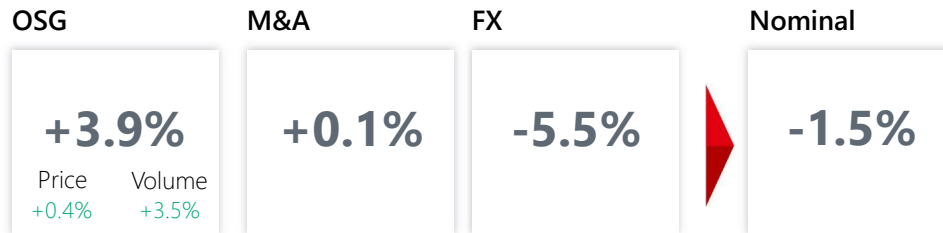


**Marco Swoboda, CFO:**

Thank you very much, Carsten and good morning to everyone also from my side.

Let us have a closer look at our sales development in the third quarter.

▶ SALES OF € 5 BILLION IN Q3 2020  
STRONG OSG OVERCOMPENSATED BY CURRENCY HEADWINDS



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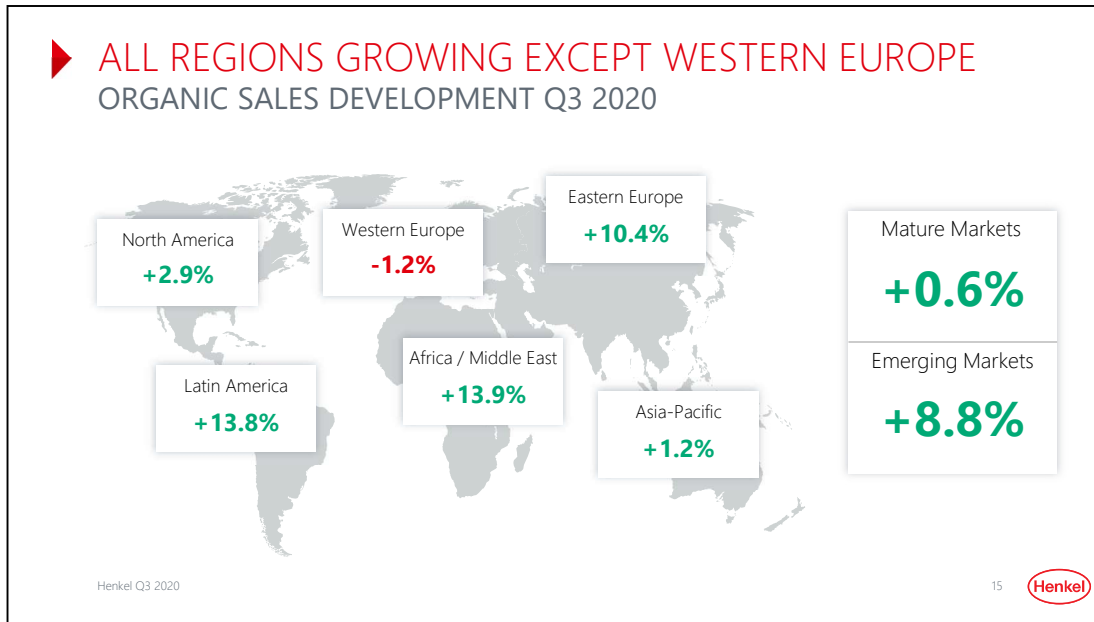
Henkel recorded strong organic sales growth of 3.9% in the quarter.

This was in particular due to strong volume expansion of 3.5%. Pricing overall was slightly up year-over-year in the third quarter at 0.4%.

The net effect of our acquisitions and divestments was slightly positive at 0.1%.

As already mentioned by Carsten, currencies were a strong headwind in the quarter and overcompensated the strong organic growth. Sales were negatively impacted by minus 5.5% and especially the US dollar and many key emerging market currencies devaluated versus the euro, in the case of the Mexican peso, Russian ruble, or Turkish lira, on average, even in the mid- to high-teens percentage range.

As a result, Henkel recorded a decrease in nominal sales by minus 1.5% to €5 billion.



Moving on to the organic sales development by region.

Overall, mature markets were positive at 0.6%. Our businesses in the emerging markets recorded a significant organic sales growth of 8.8%.

And Henkel recorded organic sales growth in all regions, except for Western Europe, which was slightly negative at minus 1.2%. This was due to a lower automotive and industrial production.

North America, in contrast, recorded good organic growth of 2.9%, supported by a double-digit performance of our Body Care business and a strong development in Laundry & Home Care.

The performance in Asia-Pacific was positive at plus 1.2% due to a good performance in the region's emerging markets driven by China. Here, we recorded very strong organic sales growth, further improving from an already good second quarter. The mature markets of Asia-Pacific declined year-over-year.

In each of the Eastern Europe, Africa/Middle East, and Latin America regions, we recorded double-digit growth, each significantly improving from the second quarter.



## ADHESIVE TECHNOLOGIES

ORGANIC SALES GROWTH: +1.3%

- Sequential market recovery and catch-up effects in selected businesses supporting positive Q3
- Automotive & Metals business area still negative, however improving in the course of the quarter
- Packaging & Consumer Goods business area returning to good organic sales growth
- Electronics & Industrials business area negative due to Industrials; Electronics positive
- Very strong quarter in Craftsmen, Construction & Professional, driven by Consumers & Craftsmen business

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Let me now move to our business units starting with Adhesive Technologies.

As you know, the first and especially the second quarter have been strongly impacted by the COVID-19 pandemic. In the third quarter, our business was still influenced by demand-driven decline of overall industrial production. However, we experienced a sequential recovery in our markets with catch-up effects in selected businesses. Overall, the business unit recorded a positive sales growth of 1.3% in the third quarter.

Within Adhesive Technologies, developments in the different business areas and regions varied.

**Automotive & Metals** remained behind the prior year development. However, the business area improved in the course of the quarter. In China, the automotive market mostly recovered and sales are approaching normal levels.

Our **Packaging & Consumer Goods** business area showed a good organic sales development. This was driven by strong growth of our Consumer Goods business and very strong growth in the Packaging business.

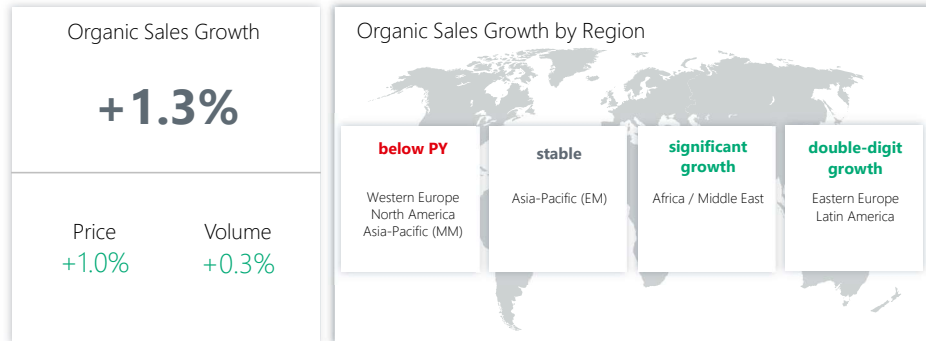
Moving on to the **Electronics & Industrial** business. In that area, overall, we remained below the prior year's level impacted by a weak demand in the Industrials business, especially the aerospace industry which accounts for a low single-digit percentage share of total Adhesive Technologies sales, continued to be severely impacted by COVID-19. Our Electronics business, in contrast, recorded a positive development.

In **Craftsmen, Construction & Professional**, organic sales growth was very strong in the third quarter. In particular, our Consumer & Craftsmen business recovered from a weak second quarter and grew by double-digit percentage, partially due to catch-up effects.



## ▶ ADHESIVE TECHNOLOGIES

VERY STRONG ORGANIC SALES GROWTH IN EMERGING MARKETS,  
MATURE MARKETS BELOW PRIOR YEAR



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In total, the business unit recorded a positive volume of 0.3%. Pricing continued to be resilient at plus 1% in the period under review.

In the third quarter, demand recovered across all regions compared to the second quarter. Nevertheless, the regional performance was mixed as the implications of COVID-19 on Industrial businesses varied across regions.

In the Asia-Pacific region, the Chinese economy recovered. Here, most of our businesses were mostly back to normal and we achieved very strong organic growth. The other countries in the region, in contrast, remained below the prior year, despite recovery trends.

Eastern Europe and Latin America each recorded double-digit growth with key markets such as Russia and Turkey as well as Mexico and Brazil driving the respective developments. Africa/Middle East recorded a significant increase in sales. In all of these markets, in particular, the Packaging & Consumer Goods, but also Craftsmen, Construction & Professional businesses were strong.

On the other side, our mature markets remained below prior year's levels. Western Europe was particularly affected by a decline in the Automotive and Industrials businesses.



BEAUTY CARE  
ORGANIC SALES GROWTH: +4.3%

- Retail business with very strong performance across Emerging and Mature Markets
- Very strong development in Hair Retail driven by double-digit growth in coloration
- Double-digit growth in Body and personal hygiene, especially in North America with Dial
- Professional business still impacted by COVID-19 restrictions, but recovered strongly

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HEALTH Q3 2020

Moving on to Beauty Care, which achieved very strong organic sales growth of 4.3% in the third quarter.

Our Retail business showed a very strong performance across both mature and emerging markets. Our largest category, Hair, recorded a very strong organic sales growth. As Carsten explained earlier our at-home coloration business grew double-digit in the quarter, a key driver for the overall performance. Moreover, the Hair Care business grew strongly in the quarter, while we continued to feel the negative demand trends for styling products amid social distancing in many countries.

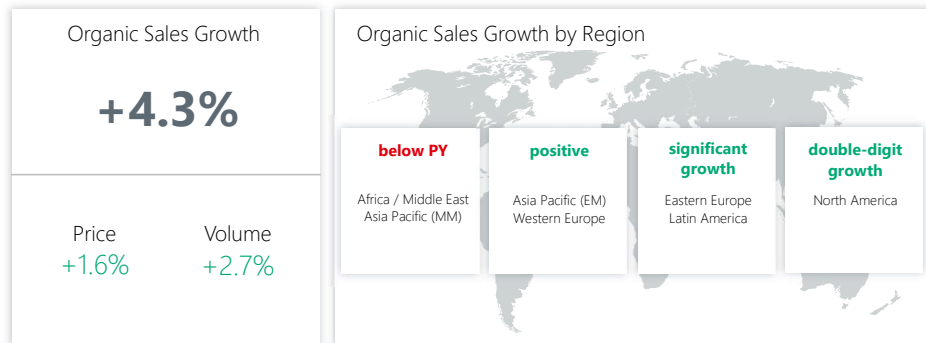
Our Body Care business could continue its success already seen in the second quarter, achieving double-digit growth in Q3. As you know, this business is especially large for us in North America, where we have our brand, Dial, positioned in antibacterial hand washing and personal hygiene.

While our Hair Professional business was hit by salon closures in the first and especially the second quarter, this business area recovered strongly in the third quarter.

Throughout the pandemic, supporting our customers was a key priority with measures, including prolonged payment terms, digital sales initiatives as well as in-store communication and speed service products when lockdowns were lifted. However, the Hair Professional business remained organically below prior year and declined by a low single-digit percentage due to hygiene regulations, reducing traffic in salons as well as some local lockdowns.

## ▶ BEAUTY CARE

VERY STRONG GROWTH IN MATURE MARKETS DRIVEN BY NORTH AMERICA



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The business unit's very strong organic sales growth was driven by both positive volumes at plus 2.7% and positive pricing at plus 1.6%.

From a regional perspective, Beauty Care recorded the strongest development in North America region. Here, as mentioned the Body Care business was the key growth driver, while the retail business also performed very well.

Western Europe achieved positive organic sales growth with both the Retail and Professional businesses contributing.

Beauty Care recorded strong organic sales growth in the emerging markets. Eastern Europe and Latin America each posted significant organic sales growth, driven by the Hair Coloration and Body Care businesses. And in contrast, the overall business in Middle East/Africa was negative due to COVID-19 effect.



**LAUNDRY & HOME CARE**  
ORGANIC SALES GROWTH: +7.7%

- Strong Laundry Care performance due to significant growth of megabrand Persil with 4in1 DISCS
- Double-digit growth in Home Care with core brands Pril, Bref & Somat growing double-digit
- Growth in all regions, North America with very strong organic sales growth, also due to catch-up effects
- Market share gains across Europe, Middle East / Africa and Asia Pacific – North America below prior year

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Finally, on to Laundry & Home Care, which had an exceptionally strong quarter with 7.7% organic sales growth with all regions contributing.

And from a category point of view, Home Care continued to be the key driver of this performance with strong double-digit growth. With each of our core brands Pril, Bref and Somat growing double-digit. Both, our successful product innovations as well as changed consumer behavior towards more hygiene consciousness, supported this development.

Also, our Laundry Care business improved quarter-over-quarter and achieved strong organic sales growth in the third quarter, due to significant growth of our megabrand, Persil. Here, our innovations offensive is paying off and amongst others with a double-digit growth of our 4in1 DISCS.

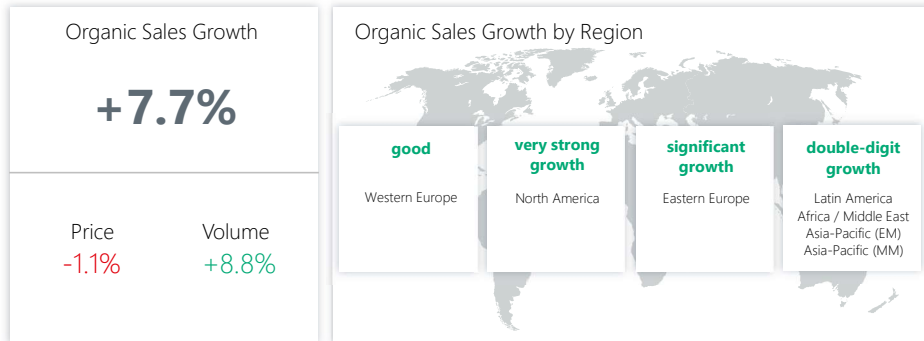
And importantly, we were able to grow our market shares in Europe, Middle East/Africa, and Asia-Pacific.

In North America, our market shares are still below prior year. However, our production normalized in the course of the third quarter following the production issues in Q2.

Overall, we recorded very strong organic sales growth in the third quarter in North America, also benefiting from catch-up effects from a weaker Q2.

## ▶ LAUNDRY & HOME CARE

GROWTH IN ALL REGIONS, DOUBLE-DIGIT IN ASIA PACIFIC,  
MIDDLE EAST / AFRICA AND LATIN AMERICA



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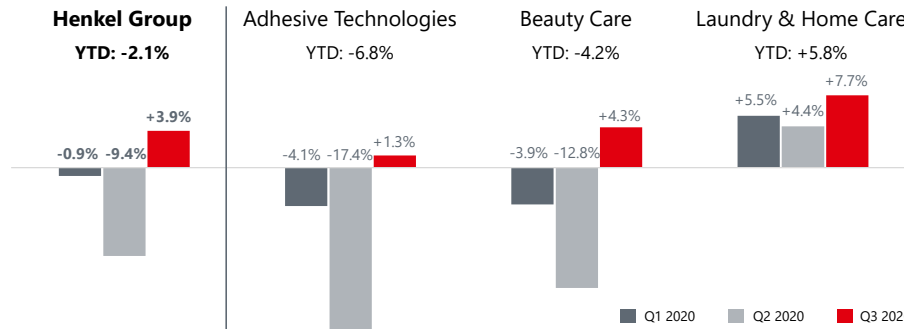
Organic sales growth of 7.7% at Laundry & Home Care was solely driven by volume, which increased 8.8% in the third quarter.

Pricing in contrast was negative at minus 1.1%, still impacted by mix effects and trade investments as was the case already in the first half of the year though now to a lower extent.

Looking at the geographic split, as you can see on the chart, Laundry & Home Care has been growing in each region in the third quarter. In Asia-Pacific, Middle East/Africa, and Latin America regions, the business unit even recorded double-digit growth. Eastern Europe achieved significant growth.

North America, as already mentioned, returned to very strong growth. And also, Western Europe delivered good organic growth.

## ▶ ORGANIC SALES DEVELOPMENT 1-9 2020



▶ **Strong recovery in industrial businesses and Beauty Care, sustained strong performance in Laundry & Home Care**

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Before we move now to the outlook, let's briefly recap on the organic sales development in the first nine months of the year:

The COVID-19 pandemic and its implications on the economies and societies affected our businesses, especially in the first half of 2020. In particular, our Industrial and Hair Professional businesses were hit, with headwinds on our businesses and sales peaking in the second quarter, while demand recovered strongly in the third quarter.

Laundry & Home Care sustained a strong performance throughout the quarters to-date, benefiting from increased hygiene awareness as well as our impactful innovations.

For the group, organic sales development amounted to minus 2.1% in the first nine months of 2020.

## ▶ BUSINESS ENVIRONMENT IN THE REMAINDER OF 2020 KEY ASSUMPTIONS

- Uncertainty remains high amid rising infection rates in many countries, but no far-reaching lockdowns assumed in core regions as experienced in the second quarter
- GDP and private consumption expected to remain below prior year's level despite recovery quarter-over-quarter
- Further improvement of industrial production index expected versus Q3, yet remaining low single-digit negative in Q4
- Consumer behavior continues to be impacted by the development of COVID-19 infection rates and pandemic-related restrictions

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Now back in October, when we issued the new full year outlook, we already anticipated that uncertainty would remain high in the remainder of the year. And as you all know, many countries are experiencing a strong second wave of infections. In some regions and countries, this triggered extensive government reactions, including lockdowns of private lives and to a lower extent of business activity.

Even before the recent rise in infection rates, market statistics already expected GDP and private consumption to remain below the prior year in Q4. The same holds true for the industrial production index. In a year-over-year comparison, industrial production is expected to decline by a low single-digit percentage in the fourth quarter.

And in addition, consumer behavior continues to be impacted by the development of COVID-19 infection rates and the pandemic-related restrictions implemented in response.

So, obviously, we continue to operate in a very challenging environment and uncertainty remains high.

Our new outlook as provided on October 9 is based on the assumptions that the industrial demand and business activity in areas of importance to Henkel in the fourth quarter will be below prior year but will not deteriorate significantly. For the outlook, we assumed that there will be no far reaching lockdowns in our core regions in the fourth quarter of 2020 as we have experienced, especially in the second quarter.

## ▶ GUIDANCE 2020

NEW FORECAST AS PER STATEMENT ON OCTOBER 9

<b>Organic Sales Growth</b>	<b>Henkel Group</b>	<b>-2.0 to -1.0%</b>
	Adhesive Technologies	-6.5 to -5.5%
	Beauty Care	-3.0 to -2.0%
	Laundry & Home Care	4.5 to 5.5%
<b>Adjusted EBIT Margin</b>	<b>Henkel Group</b>	<b>13.0 to 13.5%</b>
	Adhesive Technologies	14.5 to 15.0%
	Beauty Care	10.0 to 10.5%
	Laundry & Home Care	15.0 to 15.5%
<b>Development in adjusted EPS (at constant exchange rates)<sup>1</sup></b>		<b>-22.0 to -18.0%</b>

Henkel Q3 2020

<sup>1</sup> Per preferred share

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So, based on these assumptions that we have taken, our outlook is as follows:

We do expect organic sales growth of between minus 1% and minus 2% at group level in the full year 2020.

And we are expecting the adjusted EBIT margin to be in the range between 13.0% and 13.5% at group level, negatively impacted by the expected decline in sales in the Industrial and Hair Salon businesses due to the pandemic.

Furthermore and in line with our agenda for purposeful growth, we are also increasing investments in marketing and advertising as well as in digitalization and IT.

Adjusted earnings per preferred share at constant exchange rates are expected to decline in the range between minus 18% and minus 22%.

And with this, let me hand back to Carsten.



# AGENDA

- 01** Key Developments Q3 2020
- 02** Sales Q3 2020 & Outlook
- 03** **Business Priorities & Closing Remarks**

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**Carsten Knobel, CEO:**

Thank you, Marco.

So, before we move on to the Q&A, I'd like to outline our key business priorities for the remainder of 2020 and beyond.

## ▶ BUSINESS PRIORITIES

- Protect and support employees, customers and business partners
- Drive execution of purposeful growth agenda
- Continue capturing emerging opportunities through impactful innovation and digital
- Adequately manage cost and keep cash focus
- Sustain strong Henkel spirit and continue to drive change

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As the global health crisis evolves, we, as the management board, care and we act.

Protecting the health, safety, and the well-being of our employees, their families, our customers, and our strategic partners remains our highest priority. Our broad set of support measures stays in place as we address the challenges together.

While we are successfully managing the short-term, we are keeping sight on the medium and the long-term shaping the company to build on our purposeful growth agenda.

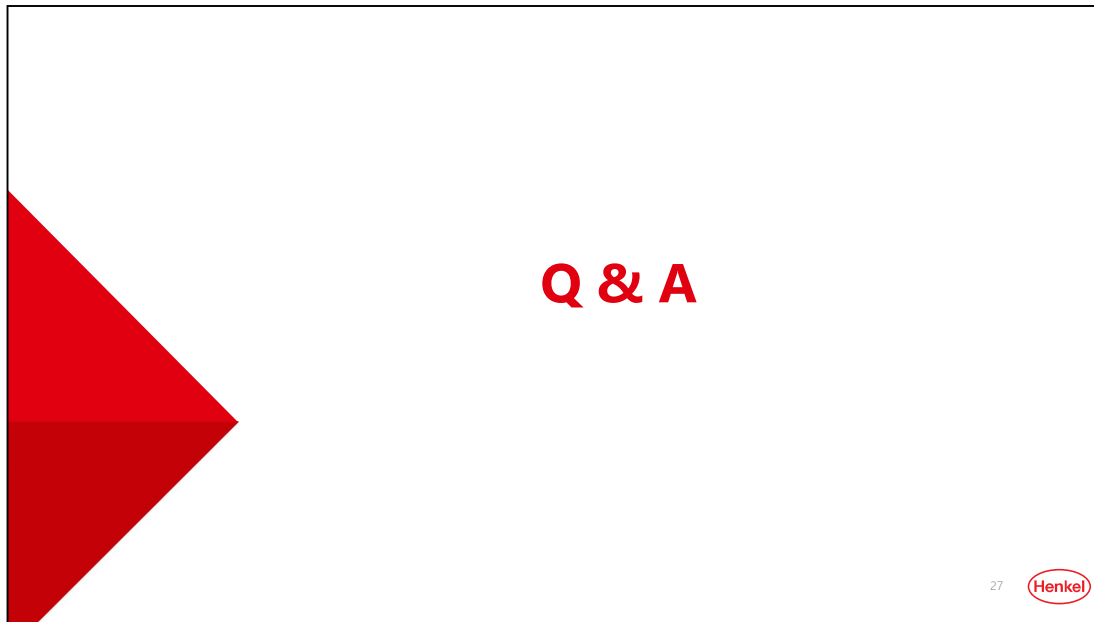
We are capturing emerging opportunities with agility and a strong entrepreneurial spirit, be it through impactful innovations or as part of our accelerated digital transformation.

Last but not least, we retain our strong focus on liquidity, while we continue to monitor and adequately manage costs, working capital, and CapEx.

And finally, and especially during these times, we are proud of the strong Henkel spirit across the regions and the businesses, and we continue our cultural journey with passion and with commitment.

Let us now move on to the Q&A.

Ladies and gentlemen, the floor is yours.



**Question:** Yes. Thank you. Good morning, Carsten, Marco and Lars and team. Two questions maybe. First of all, in Adhesives, if you look at the Automotive segment within Adhesives, how is demand at this point in time, i.e., in Q4? Has it sequentially further improved from Q3 levels? And then, you – a more general question for your consumer-driven activities, obviously including consumer demand in Adhesives, but also Home Care within Laundry. If we are past the COVID-19 pandemic or as you call it in your presentation, staycation effects, do we expect to see a reversal of the positive lockdown effects we have seen for these activities? Thank you.

**Carsten Knobel, CEO:** So, good morning. So, to your first question when it comes to Automotive. So, following the shutdowns and the production stops in many countries, the light vehicle production index as a key indicator for the Automotive output decreased by roughly 25% in the first quarter and around 45% in the second. In Q3, we saw a recovery across regions, still production volumes remained mid-single digit percentage below the prior year level. So, the automotive market in China and I think we talked about that during the presentation recorded strongly – recovered strongly and almost reached with this prior year levels.

The development here is, for sure, also reflected in our Automotive business performance in Q3. Sales have been recovering from the lows in Q2 but remained below prior year levels. As per the last update by mid of October and thus before the recent increase in the global infection rates and restrictions for the fourth quarter, IHS expected the development slightly weaker than in Q3 and for the full year, IHS is forecasting it to decline by roughly minus 20%.

So – and to your second question, when it comes to consumer staycation effects. Maybe if you look first when it comes to our Laundry & Home Care business. We have to take into account, yes, there is a high comparison base as well as the reversal of pantry loading effects after very strong growth in 2020, but it's also supported by changed consumer demand patterns amid the pandemic.

And in Beauty Care, yes, there are some high comparables, when it comes to our Retail Body Care business. But overall, I believe now and I think that's something maybe which can – which we need to debate since yesterday when there are first signs that vaccines may and will come out. Independent of that, I believe that the hygiene trend which was, I would say, accelerated by the pandemic will also stay in 2021 because I think it's not a trend, it will definitely change the consumer behavior and customer behavior going forward. I hope this clarifies.

**Question:** Okay. Thank you. But just coming back to my first question, sorry for that, but Q4, I mean if you look at your order book in Adhesives for Automotive, is this still stronger – sequentially stronger than you saw in the previous months?

**Carsten Knobel, CEO :** I hope you understand that I'm not giving trading comments on Q4. But I think you heard what I said overall for the company, in October, that we have not seen any adverse effects related to our performance also maybe because of some rising COVID, I would say closures or impact lockdowns which have been there. But for trading, I hope you understand. Thank you.

**Question:** Good morning. Two for me. So, one is a bit of a follow-on on the previous question around assuming we have an effective vaccine next year that gets deployed rather quickly, what are the kind of the biggest shifts we should be looking out for the challenge of you next year? And did I understand correctly that you're expecting hygiene growth upon hygiene growth, so despite the very high level of hygiene consumptions, in H1, you'd expect higher growth on top of that rather than some small decline as a headwind.

And the second question is you're mentioning lots of great examples of innovation driving market share growth, but if we think broadly across the portfolio of all your Consumer brands, have you been able to accelerate the transition you wanted to make the US turnaround plan? Has there been a sort of a pause in the transition plan and acceleration? And if so, can you quantify sort of some ways that acceleration and what percentage of your markets where you're gaining or losing market share. Has it improved or any other measure you would have for that? Thank you.

**Carsten Knobel, CEO:** Well, good morning. Quite intense questions, so let me try to start with your first one and taking the situation of the announcement of yesterday. So, first of all, from a health perspective these are for sure encouraging news and the vaccine will play a key role for sure in protecting the lives, especially of the most vulnerable to this virus. From a business perspective, I believe it's too early to make any predictions or speculations how this would impact our business. The vaccine will only be submitted to the authorities now for approval. And it is not clear if and when the vaccine will be approved and when we will become really available – when this will become available on a wider scale.

So, let's hope that it will help to fight the pandemic. And I think the rest is what I've already said, I think in the context of a former question. That I believe independent of vaccines, that the hygiene topic overall will stay and that will also impact our businesses on the part.

And for Adhesives – looking at Adhesives, here per update of mid-October, which is before the recent rise in the infection rates, the implication of restrictions, the IHS expected GDP and industrial production in 2021 to increase by about 4%, respectively, following strong declines in 2020 with significant differences between industrial segment and the region.

Coming to your second question, which is related then more to – your question was more to market shares in the Consumer businesses. You know that we also have in our Adhesives business a significant Consumer business. Maybe we start with that. Here, we're seeing good developments in the last couple of quarters and seeing rising market shares in our consumer set-up.

If I look at Laundry & Home Care, we see market shares increases really across the world with the exception of North America. We pointed that out that here the situation is not satisfying and we're working on that. We have also changed management since a couple of weeks or to be precise since September of this year. We have a new Senior Vice President, who's taking care in Laundry & Home Care of our business in North America.

And if I look at the Beauty Care business, overall. we're seeing overall a stable situation of market shares with significant changes or differences. So, in North America, very good development I alluded during the presentation in terms of the situation of Dial bringing double-digit growth into this setup and also good developments in Europe.

Independent of that, I would say an overall point because you're also saying are we satisfied with our innovation initiatives and our priorities, which we are setting; from my point of view, there is a clear yes. We are going into the right direction, and I think this is also confirmed by the situation of our development of digital sales. You know that this is one of our priorities. We have reported that during Q1 and Q2 where we have already seen high increases in our Consumer businesses in Laundry and Beauty. And we have seen now in Q3 plus 65% growing organic net sales growth for B&L together which brings our total digital sales of – total Henkel sales to a level now of roughly 15%. And here, therefore, I think we are definitely on the right way. For sure, there is still a lot of things to be changed and come, not everything is perfect, but definitely we are on the right agenda and the purposeful growth agenda is paying into the right direction.

I hope that clarifies.

**Question:** Good morning, Carsten and Marco. One point of clarification from you and then two questions. The point of clarification is would you be able to provide what your organic sales growth would have been in Q3, excluding the catch-up effects and only reason I'm asking is so we can get a better feel for your run rate in October.

And then my two questions, I mean, firstly, pricing in Laundry & Home Care, I was surprised to see a small sequential deterioration in Q3, particularly given that in Africa/Middle East, you've probably been growing in the high teen territory in Q3 and I would expect some nice pricing contribution there. So, what's driving this negative pricing? Is this more promotional activities in North America? And given what's happening on the foreign exchange front in emerging markets, do you see scope for additional pricing actions in EM for Laundry & Home Care?

And then my second question, I guess, more a big picture question. It's about your margin mindsets because your guidance for 2020 implies a 300 basis points decline versus last year or 400 basis points decline versus 2018. So, curious to hear how you look at your margin development from 2021 onward. Is it going to be about getting back as fast as you can to your 2018 peak margin levels? Or are you going to be looking at reinvesting maybe more behind the business, which would mean a more modest annual margin expansion going forward? Thank you.

**Carsten Knobel, CEO:** So, good morning. So, good that also Marco comes now into play. He will – may comment on the catch-up effect and also on the pricing. Maybe let me start with the margin mindset. And I hope you also understand that we will not make today a guidance for 2021 as you can imagine that the situation is quite difficult to judge and independent of that is anyway not planned for today.

One thing is clear and I think this is – which we outlined in March, you referred to the margin decreases we had been also stating at that point. We have our purposeful growth agenda. And for us, it is important and I alluded to that before in terms of market shares and how we are doing overall. I think it's important to pay into our purposeful growth agenda. And on the long-term, it is important that we have the right brands, that we have the right innovations, and that we support the innovations in the right setup. And I think that is what we disclosed in March where we, on the one side, had this margin reset, and on the other side where we also clearly pointed out that our midterm guidance stays intact in terms of our organic growth, 2% to 4%, with more at the higher end of that range and also the situation that we are planning to have a mid-to-high single-digit EPS growth with adjusted – well, with – at constant currencies.

And there is no change to that, and I think that's the overall situation, what I can allude to. As I said, we are having good signs that we are working into the right direction. And by that, what with the midterm is implied, a profitable growth development is something which we'll not change. And the rest will come in 2021. And maybe that's for the more consumer-oriented part.

For the industrial part, you'll see that the industrial recovery is not something – and I think that's not new, which will come immediately back in 2021 with the full extent. So, it's definitely depending on categories that it will take longer than a year. And all of that, we will take into account when we will judge the situation how 2021 will look like also from a guidance perspective.

I hope that clarifies a little bit more and with this, I hand over to Marco for the other two – for the other questions, slash remarks, Marco.

**Marco Swoboda, CFO:** Yeah. Your first question was on organic sales growth in the third quarter and catch-up effects. And indeed we – like we said, we have experienced some catch-up effects in the third quarter. And in Adhesive Technologies, we saw a catch-up in customer orders particularly in July and August in our Consumer & Craftsmen business when comparing to the second quarter. And also, in Laundry & Home Care business, in particular, North America, which was to a larger extent driven by catch-up effects following the production issues we had experienced in the second quarter.

As you can maybe imagine, it's not easy doable to quantify these effects now exactly in the given market situation to really distinguish what is a catch-up, what is a normal consumer demand in that environment, which is characterized by particular high volatility. So, we refrain here from giving really quantification, but we give you some color on the businesses that are affected and that you can make up your mind to the magnitude.

On the pricing for Laundry, the question was on why that is negative in particular now in the third quarter? Now, what we saw is that we have on average negative price effects, mainly driven by mix effects in the portfolio and also driven by higher trade investments as was the case already in the first half of the year. So, that is more continuing the trend, and we see that in particular in Europe, where we also then introduced a lot of innovations into the market. While now looking at other regions in particular into the emerging markets, we did see strong volume gains across the emerging markets and also in Middle East/Africa. For example, we saw not only volume being strong, but also price up also as a reflection of the strong currency declines that we had seen in that region. So, it's a bit of a mixed picture, but overall, mix and trade investments are the key drivers of that.

**Question:** Hi. Good morning, everyone. Thanks very much for the questions. I would love if you could give us an update on your disposals and the progress that you're making in terms of the underperforming brands at the tail of the Consumer business. So that's my first question. And then a very simple one on Turkey, I think Turkey is still a significant business for you. Obviously, the currencies had a little bit of a move there. Could you just update us on your business in Turkey and perhaps some mitigating actions that you're taking? Thank you.

**Carsten Knobel, CEO:** Marco, you take them?

**Marco Swoboda, CFO:** Yeah. On the first – on the question update on disposal. In the course of the year so far, we have completed divestments and discontinuations with a total volume of roughly €80 million sales mainly in the Adhesives business and some smaller brands in the Consumer business. And compared to the last update in mid-August, there have not been further material divestments or discontinuations at that moment in time.

However, in the current environment, we mostly focus on setting up our structured divestment processes in order to be ready when markets come back. And here I can say that we did make further progress. So, we are well on track in our preparation of further disposals. And what I can say at that moment in time is that we are fully committed to execute the announced portfolio measures in the defined timeframe by the end of 2021, and we will come back with further information as soon as that is possible.

**Question:** Yeah. Just sorry. If I may just have a follow-up on acquisitions, you've made some pretty interesting acquisitions over the last 12 months. So, I appreciate that disposals have been a bit of slow progress, but maybe you could just talk a little bit about the changes that you're making in terms of digital and also Beauty Care that have come via some of those acquisitions.

**Carsten Knobel, CEO:** Now, on that, I think we have a clear path that M&A remains an integral part of our strategy going forward. And I think we can clearly say that in M&A that we also have clear competencies and clear strength which is also confirmed again, in what I've said at the beginning of my speech that both acquisitions which we did over the last couple of months have been not only signed, but have been already closed and by that, we integrated them already in our businesses. And the ones which we just mentioned are really two compelling one which, on the one side, in Beauty Care, here, we are increasing our D2C, direct-to-consumer, business and our digital capabilities. And by that, I think that's definitely the right way where we need to go which is also confirmed by our digital sales expansion.

And with the Adhesives one, which we did here, we are broadening our position into North American sealants market with this really becoming a strong – having a very strong position in that. And yeah, both are in line and I hope you understand that what is in the pipeline, I will not comment at this point. Maybe we have still the topic of Turkey, which is open, Marco?

**Marco Swoboda, CFO:** So, Turkey, in total accounts for roughly 2% of group sales. So, it's a larger country, but not one of the largest. Of course, we do see for sure that the currency has devaluated substantially. And for sure, we will be hit by translation effects out of it and that for sure also played a part of the FX-related decline in net sales that we did report on also for the third quarter. We do see, however, that also we have volume growth in Turkey in important businesses. So, overall, I think we do fairly well in that environment. But for sure, on the translation part, we will have an impact.

**Question:** Good morning. Thanks for taking my question. First question would be on raw material cost inflation. Could you tell us what kind of environment you are seeing in the second half of the year? My understanding was that in Adhesive Technologies, this was probably deflationary. So, I'm quite surprised that your pricings are remaining positive. Can you comment on whether there are special effects in that and whether we should expect pricing to start weakening or not as we look into Q4 into 2021 in Adhesive Technologies?

And then my second question on online, could you give us how much of your sales are in Consumer, so in Beauty and Laundry & Home Care altogether in online? You said they were at 65% this quarter. And you also mentioned that D2C was doing well. So, could you mention what is it that you have in D2C in this category and how big it is? Thank you.

**Carsten Knobel, CEO:** Marco, you start with the raw material?

**Marco Swoboda, CFO:** Good. So, first question, on raw material price inflation in the second half. So in the third quarter of 2020, Henkel, on a group level, recorded a small headwind from gross material price movements and with however a quite differentiated development through the business units. When we go deeper then looking at Adhesive Technologies, here, we recorded slightly declining gross material prices due to the tailwinds in petrochemical categories driven by the sharp decline of the oil price and lower global demand.



In Beauty Care, on the other hand, we recorded a gross material price increase in the low-single-digit percent. This was, in particular, driven by higher prices for contract manufacturing as well as short fragrance markets.

And then lastly Laundry & Home Care, we did experience an increase in the low-single digit percent mainly affected by short markets in fragrances and also in bleaches. So, for the full year 2020, we do expect gross prices of direct materials to remain roughly stable compared to the prior year and that is the current picture that we do see, so quite differentiated. And you're right in A [Adhesive Technologies], we have been able to keep prices up to some extent that is for sure, also mix effect, but also we have quite a good market position with our broad offering of high impact solutions. And here we do set prices based on the value creation of the underlying solutions and not so much on the methodology of cost plus, so that is what also helped us in the given environment in Adhesive Technologies.

For 2021, please do understand that we cannot give outlook and guidance now. I think we have to see how it further develops and then we will give the guidance also on the year 2021 in due course.

**Carsten Knobel, CEO:** So for your second question, the terms of online to give you here a rough number, the Laundry & Home Care, so both businesses Laundry and Beauty together, so the Consumer businesses are around 10% of total sales with Beauty a little bit higher, Laundry a little bit lower related to that number.

**Question:** And in D2C?

**Carsten Knobel, CEO:** D2C, we don't disclose that in this part. It's also too early because we just have acquired the business and we are not giving this split at this point.

**Question:** Well, good morning, everyone, and thanks for squeezing me in. A couple of questions for me, please. Firstly, you've highlighted the catch-up effects in both Adhesives and Laundry, which, I assume, is inventory rebuild at the customer end. Are you able to give any indication as to the size of the benefit from that, please, and whether we might see any more inventory rebuilds in Q4? And then perhaps just discussing your Home Care business, can you just remind us how big surface cleaner and dishwash both are as a proportion of your overall Laundry & Home Care business, please? Thank you very much.

**Carsten Knobel, CEO:** Well, very specific questions. I think for the first one, Marco has already, I would say, answered that the catch-up effects to quantify them are not really possible or to distinguish between normal business and the catch-up effects. And to your question now of Home Care in terms of surface cleaner and you're bringing me a little bit into the point that I don't have these numbers the head of my mind. So, maybe we will either come back to that or let me have a look. Yeah, I think it's – I need to come back to that. Otherwise, I think it's – otherwise I would give wrong numbers, which I don't want and I'm not having not all these numbers in – the head of my mind, I hope you understand.

## ► CLOSING REMARKS

- Safety and health of employees and business partners key priority in uncertain environment
- Strong topline performance in Q3 with all business units growing
- Outlook for fiscal 2020 provided on October 9
- Strong balance sheet and financial flexibility
- Executing purposeful growth agenda while mastering challenging environment

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So, dear investors and analysts, thank you very much for your questions and let me close today's presentation with a summary of our key takeaways.

Given the dynamic development of the pandemic, the health and the safety of our employees, their families and our business partner this remains really our first priority.

And despite the continued challenging and economic environment, Henkel returned to growth in the third quarter and delivered strong organic sales growth with all business units really contributing to it. And with this, confirming the breadth and robustness of our balanced business portfolio, with successful brands and innovative technology.

Already in the beginning of October, we have provided our new outlook for fiscal 2020 in a business environment that remains highly uncertain.

Due to our solid financial foundation, our strong company culture with our dedicated employees at the heart and our new momentum, we are confident to emerge stronger from the crisis. Our low debt levels and the significant financial flexibility give us really room to maneuver.

We are firmly committed to our purposeful growth agenda. We will continue to drive our strategic initiatives constantly, adapting to evolving market dynamics and the results.

▶ UPCOMING EVENTS

March 4, 2021

Q4 & FY 2020 Release

April 16, 2021

Annual General Meeting

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As always, please be reminded of our upcoming events.

Our next event will be the release of our full year 2020 results on March 4.

With this, I would like to thank you for joining our call today.

Take care. Stay safe and stay healthy.

**Operator:**

Thank you for joining today's call. You may now disconnect. Hosts, please stay connected.



► **GUIDANCE 2020**  
ADDITIONAL INPUT FOR SELECTED KPIS

Currency Impact on Sales	Low to mid single-digit negative <sup>1</sup>
Prices for Direct Materials	Stable <sup>1</sup>
Restructuring Charges	€ 250 - 300 m
CapEx	€ 650 - 700 m